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Issued December 2005
Reissued March 2007

Disclaimer

This practice note has been issued by NZX to promote market certainty and assist Market Participants. This Practice Note sets out NZX's general approach to the subject, but is not to be regarded as a definitive statement of the application of the Rules in every situation. NZX may replace Guidance Notes and Practice Notes at any time and a Market Participant should ensure it has the most recent versions of those documents. This does not constitute legal advice. NZX recommends that Market Participants take advice from qualified persons.

PRACTICE NOTE PN 10/05 – FASTER TRAINING AND ACCREDITATION

INTRODUCTION

After having considered feedback provided by Market Participants, NZX has agreed to implement a 'train the trainer' approach to allow accredited NZX Trainers to train prospective Dealers and/or FASTER Settlement Officers.

This Practice Note has been published in order to confirm the criteria for becoming a NZX Trainer and minimum requirements for training and accreditation of prospective Dealers and/or FASTER Settlement Officers.

This Practice Note is to be read in conjunction with Guidance Note GN0005/04 – Delivery and Settlement and Practice Note 02/05 – Direct Market Access (DMA).

The application form to become an NZX Trainer can be downloaded from the NZX intranet: <http://172.27.250.63>

Application forms to become a Dealer or FASTER Settlement Officer can be downloaded from NZX Participant Rules Appendices: http://www.nzx.com/regulation/Market_participant.

Relevant documentation for training and accreditation of NZX Trainers, nominated FASTER Dealers and nominated FASTER Settlement Officers can be downloaded from the NZX intranet: <http://172.27.250.63>.

Should you have any questions in relation to the NZX Participant Rules and/or compliance with these rules, please contact NZX Participant Compliance at compliance@nzx.com.

NZX TRAINERS

NZX Trainer is defined in the NZX Participant Rules (“Rules”) as being:

“a trainer (which may include NZX) or training facility appointed or provided electronically by NZX to undertake any of the initial and ongoing training required under these Rules that has been approved by NZX as an NZX Trainer.”

In terms of this Practice Note, an NZX Trainer can be an employee of NZX who is able to train and accredit others to be FASTER Dealers or FASTER Settlement Officers.

Alternatively, an NZX Trainer for the training of FASTER Settlement Officers can be an existing accredited FASTER Settlement Officer or individual employed by the Delivery & Settlement Participant who has completed training and an accreditation test and has been accredited by NZX to train others to become accredited FASTER Settlement Officers. This may be conducted either through the FASTER Settlement System and/or Vendor Back Office System (BOS).

Accordingly, an NZX Trainer for the training of Dealers can be an existing accredited Dealer, or any individual employed by the Trading Participant who has undertaken training and an NZX accreditation test using the Trading System and has been accredited by NZX to train others to become accredited Dealers.

To become an accredited NZX Trainer, the nominated candidate must submit in writing their relevant experience and details to NZX Regulation. The application form can be downloaded from the NZX intranet: <http://172.27.250.63>

Depending on their experience, the candidate may be required to undertake additional training before undertaking the NZX Trainer accreditation test, prior to being accredited. NZX may require further training to be undertaken where system and/or process changes with respect to core trading and settlement platforms require an additional demonstrative level of knowledge.

NZX will maintain a list of NZX Trainers. Market Participants are required to advise NZX when the accredited individual ceases to be employed by that Participant and are able to apply for a substitute trainer to be accredited accordingly.

To ensure consistency in training, accredited NZX Trainers must ensure they maintain a thorough understanding and up-to-date knowledge of the NZX Participant Rules, relevant systems, NZX Guidance Notes and the Market Participant’s processes and operational requirements.

DMA DEALERS

A Dealer is defined in the Rules as:

“a person who has been accredited and approved by NZX as a Dealer to use the trading functionality in the Trading System, including entering, withdrawing or amending Orders, Bids and/or Trades on behalf of a Trading Participant”.

A DMA Dealer is defined in the Rules as:

“a person who has been accredited and approved by NZX as a DMA Dealer to use the trading functionality in the Trading System, including entering, withdrawing or amending Orders, Bids and/or Trades on behalf of a Trading Participant or DMA Authorised Person”.

A DMA Authorised Person is defined in the Rules as:

“a person who has proper authority from a Trading Participant and is employed by or acts for/or by arrangement with a Trading Participant to submit Orders into that Trading Participant’s order entry system for Direct Market Access, in any of the following capacities:

- (a) In their own right as a client of the Trading Participant;*
- (b) As an Agent for a client of the Trading Participant; or*
- (c) As an Employee of a Trading Participant employed for the purpose of Trading or dealing in Securities”.*

The terms Dealer and DMA Dealer are hereafter used interchangeably.

NZX DESIGNATION OF DMA DEALERS

Pursuant to NZX Participant Rule 4.3.3:

“NZX may at any time and from time to time require current or prospective Dealers/DMA Dealers to undergo accreditation and/or training, from an NZX Trainer or otherwise, to ensure that each Dealer/DMA Dealer has up-to-date knowledge of the workings and use of the Trading System and/or Direct Market Access facilities provided by NZX and/or to otherwise demonstrate competence and knowledge of the Trading System Direct Market Access, operations and functions.”

Previously it has been a requirement that all Dealers undergo training and an NZX accreditation test with an NZX Trainer prior to accreditation. This training/testing has been conducted either at NZX offices or at the offices of the Trading Participant with the Trading Participant bearing the associated costs (including travel expenses). To increase efficiency around the process and reduce costs to Trading Participant’s this practice has been reviewed and the new process for meeting the requirements of the Rule is outlined below.

TRAINING AND ACCREDITATION OF DMA DEALERS

NZX will allow Trading Participants to meet the training obligations of Rule 4.3 by:

- (a) Having prospective DMA Dealers undertake training with an NZX Trainer at NZX and completing an NZX accreditation test; or

(b) Having prospective DMA Dealers undertake training with an accredited NZX Trainer within the firm (refer NZX Trainer section above). Once this training is complete the applicant will need to complete an NZX accreditation test. This test can be undertaken remotely over the phone with the applicant logged into the test system. There are separate tests for both a Dealer and a DMA Dealer.

In order to ensure that the Trading Participant does not breach the requirements at **Rules 4.6.1 and A10.9** training must be conducted in the test environment, or in the production environment restricted to the test board. An individual login to the test environment or production test board can be requested at any time by emailing compliance@nzx.com with the details of the trainee.

For the avoidance of doubt, no employee of a Trading Participant (trainee Dealer or otherwise) should be using an existing Dealer's login to enter/amend/withdraw Orders or report Crossings and Negotiated Deals in the Trading System, regardless of whether they are supervised in this activity.

TRADING SYSTEM USER ACCESS LEVELS

The current levels of access to the Trading system are.

1. **Trader User** - A Dealer with *Trader* access can trade, view the market, enter, amend and withdraw their own orders only, cannot amend/withdraw the orders of other users within their firm.
2. **Trade Manager User** – A Dealer with *Trade Manager* access can trade, view the market, enter, amend and withdraw their own and the other users' orders within their firm.
3. **Firm Enquiry User** – A Firm Enquiry user cannot trade, but can view the market only.
4. **Firm Manager User** – A Firm Manager user cannot trade, but can view the market, set users' passwords and change user default roles.

TRADING ACCREDITATION REQUIREMENTS

System/Role	Submit Appendix 2 – Application form	Submit Appendix 2C – Access Rights	Submit Appendix 2C – Access Rights	Submit Appendix 2A – Statutory Declaration	Submit Appendix 2B – Undertaking	Training Required	NZX Accreditation Test required
Dealer (Trader user)	Yes	Yes	No	Yes	Yes	Yes Trading System	Yes Trading System
Dealer (Trader Manager user)	Yes	Yes	No	Yes	Yes	Yes Trading System	Yes Trading System
Firm Enquiry user	No	No	Yes	No	No	Yes	No
Firm Manager user	No	No	Yes	No	No	Yes	No
Vendor DMA System for DMA Dealer	Yes	Yes	No	Yes	Yes	Yes ISV System	Yes ISV System

NB - the same application documentation is required for each type of user regardless of whether they are using the Trading System or an ISV.

FASTER SETTLEMENT OFFICERS

A FASTER Settlement Officer is defined in the Rules as:

“a person accredited and approved by NZX to effect the transfer of Securities between a selling client’s Delivery & Settlement Participant and the buying client’s Delivery and Settlement Participant as the result of a Trade”.

NZX DESIGNATION OF FASTER SETTLEMENT OFFICERS

Must meet the criteria in Rule; and

Pursuant to Rule 6.3.3:

“NZX may at any time and from time to time require current or prospective FASTER Settlement Officers to undergo accreditation and/or training, from the NZX Trainer or otherwise, to ensure that each FASTER Settlement Officer has up-to-date knowledge of the workings and use of the FASTER System and/or to otherwise demonstrate competence and knowledge of the FASTER System, its operations and functions.”

Unlike Dealers there has previously been no requirement for FASTER Settlement Officers to undergo a NZX accreditation test. Training was able to be provided by the Delivery & Settlement Participant via an accredited FASTER Settlement Officer (although training by NZX has been available if requested). To ensure consistency across both designations (that of a Dealer and a FASTER Settlement Officer) this practice has been reviewed and in the new process for meeting the requirements of the Rules are outlined below.

TRAINING AND ACCREDITATION OF FASTER SETTLEMENT OFFICERS

NZX will allow Delivery and Settlement Participants to meet the obligations of Rule 6.3 (and assist the Delivery & Settlement Participant in meeting its obligations of Rule 6.3A.4) by:

- (a) Having prospective FASTER Settlement Officers undertake training with an NZX Trainer either at NZX offices or at the Delivery & Settlement Participant’s offices and completing an NZX accreditation test; or
- (b) Having prospective FASTER Settlement Officers undertake training with an accredited NZX Trainer from within the firm (refer NZX Trainer section above). Once this training is complete the applicant will need to complete an NZX accreditation test. This test can be undertaken remotely with the applicant logged into the test environment using either the FASTER System or the Vendor Back Office System (BOS).

NB: A person that effects the transfer of Securities between a selling client’s Delivery & Settlement Participant and the buying client’s Delivery and Settlement Participant as the result of a Trade, is required to be an accredited FASTER Settlement Officer. NZX therefore is introducing the requirement of BOS users to sit an accreditation test before being accredited as a FASTER Settlement Officer. This requirement will not be retrospective.

To ensure that the Delivery & Settlement Participant does not breach the requirements of **Rules 6.3A.1 and 13.45** this training must be conducted in the FASTER System test environment. An individual login to the FASTER System test environment can be requested at any time by emailing compliance@nzx.com with the details of the trainee. An individual login and access to the BOS test environment will need to be requested internally by the Delivery & Settlement Participant’s IT support.

For the avoidance of doubt, no employee of a Delivery & Settlement Participant (trainee FASTER Settlement Officer or otherwise) may use an existing user's login to enter transfer information or initiate transactions in the FASTER System, regardless of whether they are supervised in this activity. This applies to both the Vendor Back Office System and the FASTER System.

FASTER SETTLEMENT SYSTEM USER ACCESS LEVELS

There are currently several template user access level categories in the FASTER system. Each category has a number of default facilities allocated to it. The current categories are:

- (a) FASTER Settlement Officer User
- (b) FASTER Participant User (for non-trading participants)
- (c) CSN User
- (d) Enquiry User
- (e) Shareholder Balance Enquiry User

The facilities allocated to each user level category can be downloaded from the NZX intranet: <http://172.27.250.63>

*NB: The facilities in the FASTER System have equivalent or similar functions available in the Vendor Back Office System applications. Similarly, the FASTER user application documentation (to become an accredited FASTER Settlement Officer) will apply regardless of which system the Delivery and Settlement Participant is using (**FASTER System or a Vendor Back Office System**).*

FASTER SETTLEMENT OFFICER ACCREDITATION REQUIREMENTS

System/Role	Appendix 4 - Application form	Appendix 4C - Access Rights	Appendix 4D) - Other Access Rights	Appendix 4B - Statutory Declaration	Appendix 4C - Undertaking	Training Required	NZX Accreditation Test required
FASTER Settlement Officer User	Yes	Yes	No	Yes	Yes	Yes FASTER System/BOS System	Yes FASTER System/BOS System
FASTER Participant User	Yes	Yes	No	Yes	Yes	Yes FASTER System/BOS System	Yes FASTER System/BOS System
CSN User	No	No	Yes	No	No	Yes (limited to functions available under this user type in the FASTER System)	Yes FASTER System/BOS System
Enquiry User	No	No	Yes	No	No	Yes (limited to functions available under this user type in the FASTER System)	No
Shareholder Balance Enquiry User	No	No	Yes	No	No	Yes (limited to functions available under this user type in the FASTER System)	No
FASTER Settlement Officer User - Vendor Back Office System User	Yes	Yes	No	Yes	Yes	Yes BOS System	Yes BOS System

NB - the same application documentation is required for each type of user regardless of whether they are using the FASTER System or a BOS.